

FORRESTER®

The Total Economic Impact™ Of UKG Pro And UKG Dimensions

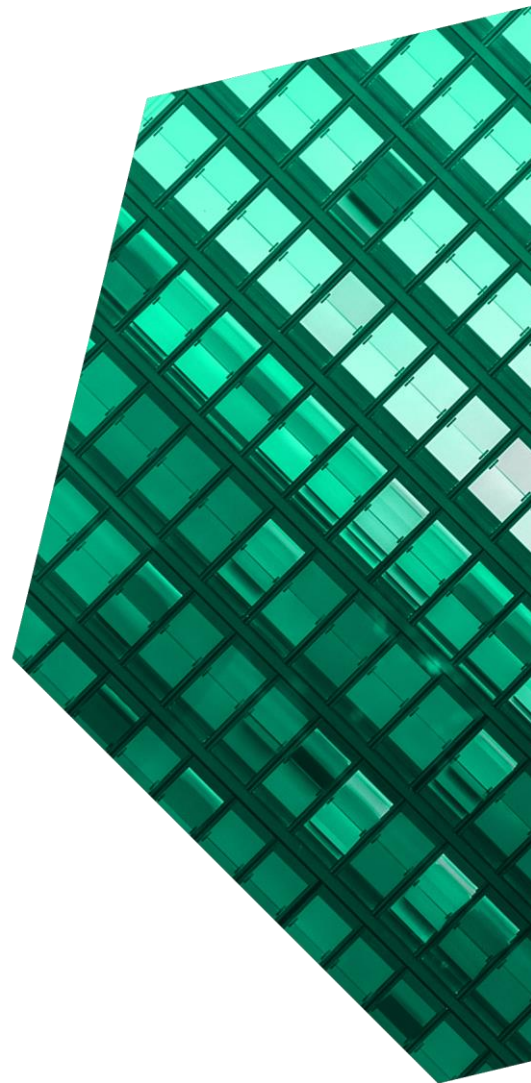
Business Benefits And Cost Savings
Enabled By UKG Pro And Dimensions

March 2021

Table Of Contents

Executive Summary	1
The UKG Customer Journey	6
Key Challenges	6
Composite <i>Organization</i>	6
Analysis Of Benefits	8
HR Administration Labor Savings	8
Talent Acquisition Savings	10
Time And Attendance Savings	11
Payroll Savings.....	13
Business Intelligence And Reporting Savings	14
Unquantified Benefits	16
Flexibility.....	16
Analysis Of Costs	17
Total Costs Associated With UKG Pro And UKG Dimensions.....	17
Financial Summary	19
Appendix A: Total Economic Impact	20

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ABOUT FORRESTER CONSULTING

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Executive Summary

Building on 70 years of experience from two leaders in HCM solutions, UKG combines the strength and innovation of Ultimate Software and Kronos through a 2020 merger. UKG's solutions deliver global workforce experiences that reflect the connection between life and work today. Forrester interviewed four UKG customers using UKG Pro and UKG Dimensions solution; the consensus is that work with UKG is easier, interactions are more meaningful, and analytical insights are deeper.

UKG commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying its UKG Pro and UKG Dimensions solutions. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of deploying these two solutions at their organizations.

UKG Pro (formerly UltiPro) is a human capital management (HCM) suite that delivers culture-driven solutions for companies ranging from midsize to large enterprises in order to support employees through their significant and day-to-day experiences. Functionality includes payroll, HR, and talent management.

UKG Dimensions (formerly Kronos Workforce Dimensions) provides a global workforce management solution that is developed on a unified and configurable platform with open APIs. This enabled enterprise organizations to perform the following functions: timekeeping, scheduling, and AI-driven insights.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four customers with experience using UKG Pro and UKG Dimensions. For the purposes of this study, Forrester aggregated the experiences of the interviewed customers and combined the results into a single composite *Organization* that is described further below in the Composite *Organization* section of this study.

KEY STATISTICS



Return on investment (ROI)

89%



Net present value (NPV)

\$5,931,822

Prior to investing in UKG HCM and UKG Dimensions solutions, the interviewees said their organizations were using an array of relatively ineffective tools. They also cited the following challenges:

- Their systems were becoming costly and not very well supported by the various vendors.
- The customers needed to grow their businesses quickly, without having to grow their HR and payroll headcount.
- Managers and employees did not have quick access to the information and answers they needed.
- The customer interviewees sought a single look and feel for HR processes while providing visibility and more accurate compliance across many states in the US.

- The customers were suffering high-attrition levels and recruitment spend, due to inefficient processes and disparate systems.

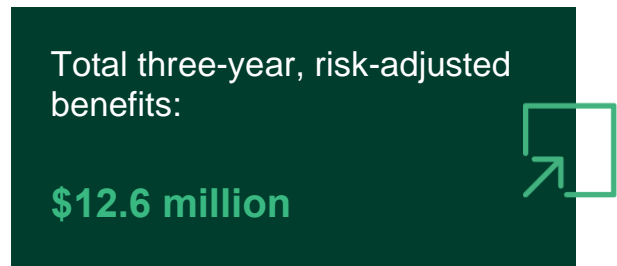
KEY FINDINGS

Quantified benefits. Three-year, risk-adjusted present value (PV) quantified benefits for the composite *Organization* include:

- **HR administration labor savings worth \$772,776.** According to the interviewed customers, the implementation of UKG Pro's capabilities resulted in time, effort, and labor (full-time equivalent, or FTE) savings in the following areas and tasks: responding to employees' and managers' questions and managing performance, succession, compensation, and compliance processes.
- **Talent acquisition labor savings valued at \$2,702,586.** The interviewed customers reported that recruitment staff saves 4 hours of time and effort per candidate; and onboarding staff saves 3 hours per new hire.
- **Time and attendance savings worth \$8,001,446.** There are two benefit categories quantified for UKG's Dimensions. The first benefit is time and effort saved by the *Organization's* 1,250 managers who use UKG Dimensions SMS ShiftFill to fill shift openings. The second benefit category combines other quantified benefits of UKG Dimensions including: a reduction in errors and pay inflation; a reduction in overtime expense; immediate identification of unscheduled absences; and reduced time-keeping, scheduling, and administration.
- **Payroll savings valued at \$290,962.** According to interviewees, UKG Pro Payroll can handle complex pay calculations, offer flexibility to fit their businesses, simplify payroll and tax issues, and run payroll in a way that works for their organizations. The *Organization* saves two

payroll staff FTEs as a result of the features and functionality of UKG Pro Payroll.

- **Business intelligence and reporting savings valued at \$850,503.** Prior to UKG Pro and UKG Dimensions, the interviewed customers did not have visibility into data to perform ad hoc reporting. With UKG Pro and UKG Dimensions, the interviewed customers and the *Organization* are saving time and effort that equates to four FTEs using UKG business intelligence (BI), which includes reporting, insights, and analytics capabilities.



Unquantified benefits. Benefits that were reported but are not quantified in this study, include:

- UKG's BI reporting and analytics helped one interviewed customer determine future investments. For example, it determined that employees that are directly recruited (not via third-party recruiters) have longer tenure and better performance. As a result, the customer shifted its focus away from third-party recruiters and toward direct recruitment, saving recruiting fees.
- Some of the interviewed customers felt UKG's talent acquisition capabilities helped to produce higher qualified candidates than previous hiring processes.
- UKG Pro and UKG Dimensions provides support and resources needed to maintain compliance. UKG enables organizations to comply with HR, payroll, and employment regulatory requirements

and to easily record key information for government compliance, reporting, and analysis.

Costs. Three-year risk-adjusted PV costs include:

- **Planning, implementation, ongoing labor, and subscription costs of \$6,686,451.** The implementation of UKG Pro and UKG Dimensions was a simultaneous effort over a period of four months. There were 15 individuals involved, including the CIO, VP of HR, senior director of human resource information system (HRIS), director of payroll, and various other IT, HR, and payroll staff. During the post-implementation period as well as on an ongoing basis, the *Organization* has: 0.75 FTE administrators managing UKG Pro; 0.75 FTE administrators managing UKG Dimensions; and 1.0 FTE IT staff managing both products. UKG license and launch fees are included in the \$6,686,451 total. Readers of this case study should contact UKG directly for fees related to their environments.

The customer interviews and Forrester's financial analysis found that a composite *Organization* experiences benefits of \$12,618,274 over three years versus costs of \$6,686,451, adding up to a NPV of \$5,931,822 and an ROI of 89%.

“The difference between UKG and other technology vendors is relationships. UKG has always been very customer-centric, very hands-on, and accepting of our feedback. We have multiple contacts to handle any issue that comes up. Relationships are really UKG’s strength and that’s what makes them different.”

Senior HRIS director, retirement communities



ROI
89%



BENEFITS PV
\$12,618,274

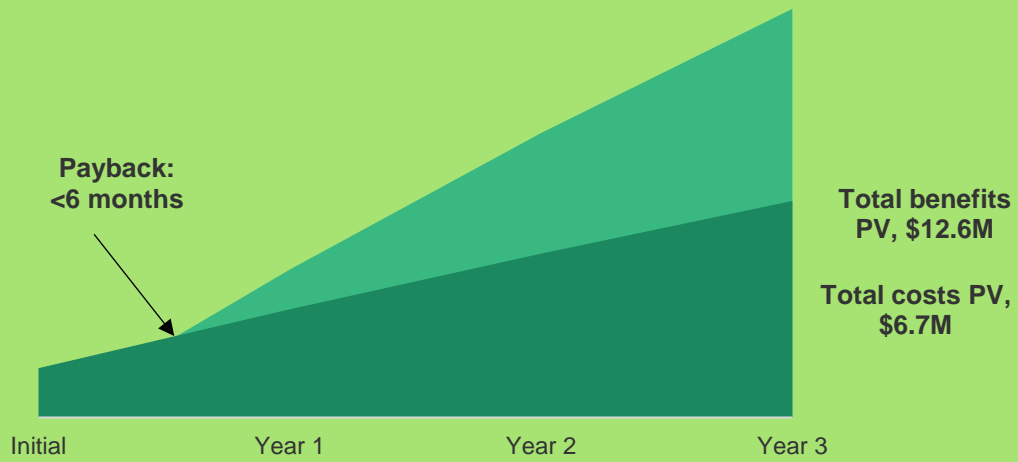


NPV
\$5,931,822



PAYBACK
<6 months

Financial Summary



TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in UKG Pro and UKG Dimensions solutions.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that UKG Pro and UKG Dimensions can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by UKG and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in UKG Pro and UKG Dimensions solutions.

UKG reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

UKG provided the customer names for the interviews but did not participate in the interviews.



DUE DILIGENCE

Interviewed UKG stakeholders to gather data relative to UKG Pro and UKG Dimensions solutions.



CUSTOMER INTERVIEWS

Interviewed decision-makers at four customers using UKG Pro and UKG Dimensions solutions to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed a composite *Organization* based on characteristics of the interviewed customers.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewed customers.



CASE STUDY

Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The UKG Customer Journey

Drivers leading to the UKG investments

Interviewed Customers			
Industry	UKG products	Interviewee(s)	Number of employees
Agricultural	Core HR, Payroll, Reporting, Analytics, and Workforce Management	<ul style="list-style-type: none"> Vice president – HR Payroll administrator 	10,000
Retirement communities	Core HR, Payroll, Reporting, Analytics, Talent Acquisition, and Workforce Management	<ul style="list-style-type: none"> Chief information officer Senior HRIS director 	10,500
Supermarket chain	Core HR, Payroll, Reporting, Analytics, and Workforce Management	<ul style="list-style-type: none"> Vice president – HR HRIS technologist Information technology director 	16,500
Healthcare	Core HR, Payroll, Reporting, Analytics, and Workforce Management	<ul style="list-style-type: none"> Assistant vice president – HRIS Director – payroll 	5,000

KEY CHALLENGES

Before investing in UKG Pro and UKG Dimensions solutions, the interviewees said their organizations were using an array of relatively ineffective tools.

Similar to the experiences of the interviewees' organizations, the composite *Organization* struggles with the following common challenges:

- The *Organization* had multiple disparate HR and payroll systems that were not integrated, and they found it difficult to provide accurate data to C-level management.
- These systems were becoming costly and not very well supported by the various vendors.
- The *Organization* needed to grow its business quickly, without having to also grow its HR and payroll headcount or suffer any loss in productivity or performance.
- Managers and employees did not have quick access to the information and answers they needed. This forced them to rely on HR and IT to produce reports from scratch every time.
- The *Organization* needed a single look and feel for HR processes while providing visibility and

more accurate compliance across many states in the US.

- The *Organization* was suffering from high attrition levels and recruitment spend, due to inefficient processes and disparate systems.

COMPOSITE ORGANIZATION

Based on the interviews, Forrester created a composite *Organization* to illustrate the quantifiable benefits and costs of investing in UKG Pro and UKG Dimensions. The composite *Organization* is a midsize enterprise in the business services industry.

Description of composite. It has 12,500 employees located across North America. It has been using UKG Pro and UKG Dimensions for three years to integrate its HR, payroll, and timekeeping processes. The *Organization* has invested in the following UKG modules: HR, Payroll, Benefits Administration, Talent Acquisition, Time and Attendance, Reporting, Workforce Analytics, and BI.

Goals and objectives. The *Organization's* decision-makers had the following goals and objectives they hoped to satisfy with the investment in UKG solutions. These included:

- Gain real-time visibility, reporting, and insights across the workforce with a single record of truth for each employee.
- Support a broader business strategy by providing analytics and actionable people-related insights to management.
- Accommodate future growth and expansion across multiple sites and geographies.
- Streamline and automate previous disparate business processes including HR, payroll, and timekeeping.
- Provide a way to engage employees with a single consistent experience for the entire workforce.
- Reduce employee turnover and become an employer of choice.
- Provide a more cost-effective, single-vendor solution and increase ROI.

Key assumptions about the Organization

- **UKG Pro**
- **UKG Dimensions**
- **12,500 employees**
- **Midsize enterprise**
- **Business services industry**

“We’ve seen constant improvement in UKG’s offering and functionality over the years. Product reliability is very solid, and we consider them an excellent partner.”

Vice president, HR, supermarket chain

Analysis Of Benefits

Quantified benefit data as applied to the composite *Organization*

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	HR administration labor savings	\$256,500	\$342,000	\$342,000	\$940,500	\$772,776
Btr	Talent acquisition labor savings	\$1,086,750	\$1,086,750	\$1,086,750	\$3,260,250	\$2,702,586
Ctr	Time and attendance savings	\$3,217,500	\$3,217,500	\$3,217,500	\$9,652,500	\$8,001,446
Dtr	Payroll savings	\$117,000	\$117,000	\$117,000	\$351,000	\$290,962
Etr	Business intelligence and reporting savings	\$342,000	\$342,000	\$342,000	\$1,026,000	\$850,503
	Total benefits (risk-adjusted)	\$5,019,750	\$5,105,250	\$5,105,250	\$15,230,250	\$12,618,274

HR ADMINISTRATION LABOR SAVINGS

Evidence and data. According to the interviewed customers, the implementation of UKG Pro capabilities resulted in time, effort, and labor (FTE) savings. For the following areas and tasks, HR management was able to:

- Spend less time and effort responding to employees' and managers' questions about benefits, time off, disciplinary actions, etc.
- Spend less time on performance, succession, and compensation management processes.
- Be more efficient in monitoring and achieving compliance across the many US states where employees are located.

The same is true for the composite *Organization*. Prior to investing in UKG Pro, the *Organization* had multiple disparate HR and payroll systems that were not integrated; this made it difficult to provide support to employees and managers. With UKG Pro, the *Organization* has a single look and feel for its overall HR processes, while providing visibility to benefits administration, performance succession, and compensation management.

Modeling and assumptions. Based on customer interviews, the *Organization* saves four HR FTEs annually (only three FTEs in Year 1 due to learning curves) using the functionality mentioned throughout this benefit. Assumptions include:

- The average fully loaded cost per year for HR managers and administrators is \$95,000.
- The non-risk-adjusted savings are \$285,000 in Year 1 and \$380,000 in Years 2 and 3. This leads to a total of \$1,045,000 (non-risk-adjusted) over three years.
- The annual risk-adjusted savings are \$256,500 in Year 1 and \$342,000 in Years 1 and 3. This leads to a total of \$772,776 risk- and PV-adjusted over three years.

Risks. The actual improvement in HR management labor savings may vary based on:

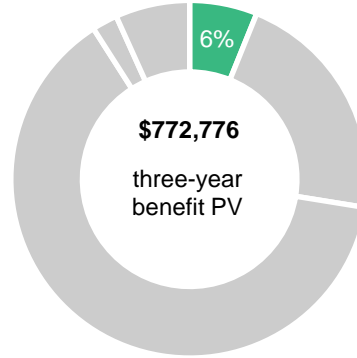
- The experience and competencies of existing HR managers and administrators.
- The fully loaded compensation of HR managers and administrators.

- How quickly organizations can progress through the HR administration learning modules and the employee/manager adoption curves for the functionality of UKG Pro.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$772,776.

“With UKG Pro and Dimensions it’s been much easier to significantly grow our employee population both organically and via M&A [mergers and acquisitions]. Our HR and payroll staff counts have stayed relatively flat over this period of significant growth.”

Assistant vice president, HRIS and the director of payroll, healthcare



HR administration labor savings:
6% of total benefits

HR Administration Labor Savings					
Ref.	Metric	Calc./Source	Year 1	Year 2	Year 3
A1	Labor savings	FTE/interviews	3.0	4.0	4.0
A2	Average fully loaded cost of HR administrator	Interviews – average	\$95,000	\$95,000	\$95,000
At	HR administration labor savings	A1*A2	\$285,000	\$380,000	\$380,000
	Risk adjustment	↓10%			
Atr	HR administration labor savings (risk-adjusted)		\$256,500	\$342,000	\$342,000
Three-year total: \$940,500			Three-year present value: \$772,776		

TALENT ACQUISITION SAVINGS

Evidence and data. Interviewees reported that they were able to create personalized experiences for new candidates with UKG Pro’s recruiting and onboarding solutions. By leveraging a candidate-centric design, UKG Pro helps recruiters engage and build stronger relationships with, and remove common barriers for, potential employees, as well as encouraging a wider pool of talent in the application process. UKG Pro’s applicant tracking system reduces time and effort in hiring. Recruiters are using UKG Pro’s talent acquisition modules to automate employee recruitment, resume management, and onboarding tasks.

Modeling and assumptions. Customer interviewees cited a variety of different annual employee attrition rates that average 18%.

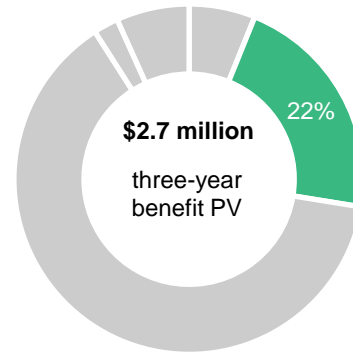
- The composite *Organization* needs to replace 2,250 employees annually (18% of 12,500 employees) and grow its total headcount by 5% annually, or another 625 employees, for a total of 2,875 hires. It actively recruits three times that, or 8,625 candidates, with a goal of hiring 2,875.
- Recruitment staff saves 4 hours of time and effort per candidate or 34,500 hours annually (8,625 times four hours).
- Onboarding staff saves 3 hours of time and effort per new hire or 8,625 hours annually (2,875 times three hours).
- At an hourly labor cost of \$28, the *Organization* saves a non-risk-adjusted \$1,207,500 annually in recruiting and onboarding labor savings.

Risks. The actual improvement in recruiting and onboarding labor savings may vary based on:

- The experience and competencies of existing recruiters and onboarding staff.
- The hourly compensation of recruiters and onboarding staff.

- How quickly organizations can climb the learning and adoption curves for the recruiting and onboarding functionality of UKG Pro.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$2,702,586.



*Talent acquisition savings:
22% of total benefits*

Talent Acquisition Savings					
Ref.	Metric	Calc./Source	Year 1	Year 2	Year 3
B1	Number of replacement and new candidates recruited	Organization	8,625	8,625	8,625
B2	Hours saved per candidate in recruiting cycles	Interviews	4	4	4
B3	Total hours saved for all candidates	B1*B2	34,500	34,500	34,500
B4	Number of actual new and replacement hires	Organization	2,875	2,875	2,875
B5	Hours saved per hire in onboarding cycles	Interviews	3	3	3
B6	Total onboarding hours saved for all new and replacement hires	B4*B5	8,625	8,625	8,625
B7	Number of total hours saved	B3+B6	43,125	43,125	43,125
B8	Hourly cost of internal recruiting and HR staff (not fully loaded)	Interviews	\$28	\$28	\$28
Bt	Talent acquisition savings	B7*B8	\$1,207,500	\$1,207,500	\$1,207,500
	Risk adjustment	↓10%			
Btr	Talent acquisition savings (risk-adjusted)		\$1,086,750	\$1,086,750	\$1,086,750
Three-year total: \$3,260,250			Three-year present value: \$2,720,586		

TIME AND ATTENDANCE SAVINGS

Evidence and data. Prior to using UKG Dimensions SMS ShiftFill, the *Organization's* managers lost precious time everyday trying to find appropriate replacements for either employees that were calling in sick or to fill other shift openings. This led to managers putting more time and effort than they could afford into making a lot of outbound calls while racing to fully staff shifts. And taking managers off the important task of running the business.

By using UKG Dimensions SMS ShiftFill, managers are able to find the right staff members to pick up open shifts, reducing the time and effort involved with filling shifts.

Other benefits of UKG's Dimensions features and functionality are as follows:

1. A reduction in manual calculations and input errors, i.e., errors made due to manual timekeeping.
2. A reduction in pay inflation i.e., eliminated extra pay earned at the start of a shift, missed breaks, and coworkers being able to punch others in.
3. A reduction in overtime expense.
4. Immediate identification of unscheduled absences, i.e., coming in late, not turning up, etc.
5. A reduction in leave inflation i.e., when employees take more vacation time than they are due.
6. Overtime cost reduction, i.e., cost reduction using overtime reports and choosing the lowest cost employee to fill shifts.

7. A reduction in timekeeping for administration hours for timekeepers, schedulers, and payroll staff.
8. Improved scheduling efficiencies, i.e., decreasing the time taken for all aspects of scheduling.

Modeling and assumptions. This benefit category has been split into two subcategories. The first is the time and effort saved by the *Organization's* 1,250 managers who use UKG Dimensions SMS ShiftFill to fill shift openings.

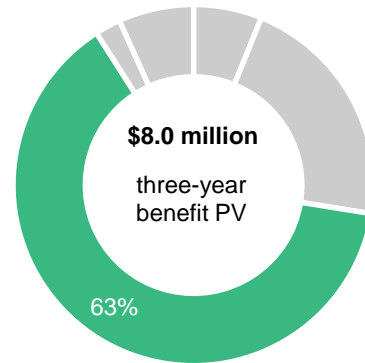
- Each manager saves 3 hours per month or 36 hours annually. At an average hourly cost of \$35, the *Organization* saves \$1,575,000 annually (non-risk-adjusted), allowing managers to perform other value-added tasks.

And the second subcategory combines other quantified benefits of UKG Dimensions as listed in bullets –one through eight. Interviewed customers estimated a savings of \$2 million dollars annually (non-risk-adjusted) for this aggregate benefit.

Risks. The actual time and attendance benefits will vary based on:

- The experience and competencies of existing managers.
- The hourly compensation of managers.
- How quickly organizations can climb the learning and adoption curves for the UKG Dimensions features and functionality.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$8,001,466.



*Time and attendance savings:
63% of total benefits*

Time And Attendance Savings					
Ref.	Metric	Calc./Source	Year 1	Year 2	Year 3
C1	Number of managers involved with scheduling employees	Organization	1,250	1,250	1,250
C2	Annual hours saved per manager using UKG Dimensions SMS ShiftFill	Interviews	36	36	36
C3	Hourly cost (not fully loaded)	Industry average	\$35	\$35	\$35
C4	Managers' labor savings utilizing UKG Dimensions SMS ShiftFill	(C1*C2)*C3	\$1,575,000	\$1,575,000	\$1,575,000
C5	Other benefits of UKG Dimensions	Interviews – average	\$2,000,000	\$2,000,000	\$2,000,000
Ct	Time and attendance savings	C4+C5	\$3,575,000	\$3,575,000	\$3,575,000
	Risk Adjustment	↓10%			
Ctr	Time and attendance savings (risk-adjusted)		\$3,217,500	\$3,217,500	\$3,217,500
Three-year total: \$9,652,500			Three-year present value: \$8,001,446		

PAYROLL SAVINGS

Evidence and data. According to interviewees, UKG Pro Payroll handles complex pay calculations, offers flexibility to fit their businesses, simplifies payroll and tax issues, and runs payroll in a way that works for their organizations. Interviewees cited the following benefits of using UKG Pro Payroll; these benefits have been included in the composite *Organization*:

- Hundreds of payroll computations can now be easily processed in USD and CAD, with no need for side calculations or expensive programming.
- Payroll staff save time and effort by not having to address common payroll errors or manually enter data.
- Payroll staff spends less time responding to employee payroll questions.
- The payroll department is spending less time overall on auditing payroll information and/or making corrections.
- The payroll department spends less time creating payroll reports.

“We’ve saved a significant amount of time and effort with UKG Dimensions, compared to our previous payroll environment. We were able to avoid hiring extra payroll staff during our significant growth period. And we were able to configure Dimensions to interact with various other systems.”

Director of payroll, healthcare

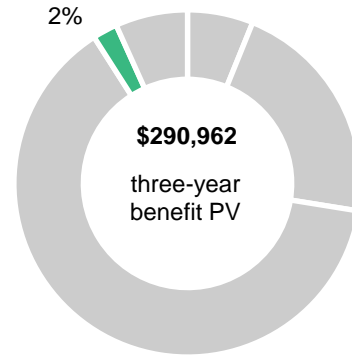
- The payroll department can now leverage a secure, bidirectional integration with its preferred global payroll software provider to pay any of their employees outside of North America.

Modeling and assumptions. Interviewees reported how using UKG Pro Payroll saves an average of two FTEs annually at a fully loaded cost of \$65,000 when compared to their previous payroll environment.

Risks. The actual payroll savings benefits will vary based on:

- The experience and competencies of existing payroll staff.
- The hourly compensation of payroll staff.
- How quickly organizations can climb the learning and adoption curves for the UKG Pro Payroll’s features and functionality.

To account for these risks, Forrester adjusted this payroll savings benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$290,962.



Payroll savings
2% of total benefits

Payroll Savings

Ref.	Metric	Calc./Source	Year 1	Year 2	Year 3
D1	Labor savings – payroll staff	Interviews	2	2	2
D2	Average fully loaded cost of internal labor	Industry average	\$65,000	\$65,000	\$65,000
Dt	Payroll savings	D1*D2	\$130,000	\$130,000	\$130,000
	Risk adjustment	↓10%			
Dtr	Payroll savings (risk-adjusted)		\$117,000	\$117,000	\$117,000
Three-year total: \$351,000			Three-year present value: \$290,962		

BUSINESS INTELLIGENCE AND REPORTING SAVINGS

Evidence and data. Prior to UKG Pro and UKG Dimensions, the interviewed customers did not have the visibility into their data to properly perform ad hoc reporting. With UKG Pro and UKG Dimensions, the customers and our *Organization* are saving significant time and effort using the UKG BI, which includes reporting, insights, and analytics capabilities.

UKG provides a large number of standard reports that are available to run for both HR- and payroll-related activities. Where a standard report may not meet the exact needs of the *Organization*, UKG offers an advanced, flexible reporting intelligence tool (Cognos) to create a myriad of reports. In addition,

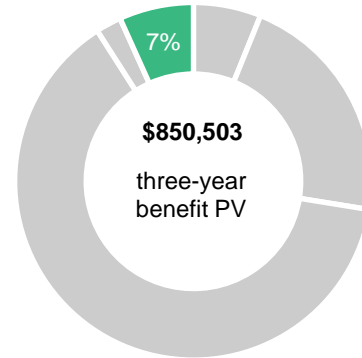
UKG’s BI reporting software offers dashboards and reports in real time, which allows the *Organization* to discover workforce insights and act quickly on areas of untapped potential. Finally, UKG’s BI capabilities help the *Organization* to uncover opportunities to disrupt bias and improve diversity, equity, and inclusion practices.

Modeling and assumptions. Some interviewed customers did a workload assessment that answered the question, “If we had to do all these reports manually (like we used to do), how many more FTEs would we need?” Interviewed customers estimated it would take four more FTEs to generate the quantity and quality of customized reports that UKG is currently producing.

Risks. Consistent with previous benefit categories, Forrester risk-adjusted (reduced) the BI and reporting benefit by 10% to reflect the fact that these four FTEs were never hired; therefore, there’s uncertainty as to the savings. In addition, the BI and reporting savings benefits will vary based on:

- The experience and competencies of existing reporting staff.
- The hourly compensation of reporting staff.
- How quickly organizations can climb the learning and adoption curves for the UKG’s BI and reporting features and functionality.

To account for these risks, Forrester adjusted this BI and reporting features benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$850,503.



BI and reporting savings
7% of total benefits

“With the UKG BI tool there’s so much reporting that we are able to do. If we did not have the BI tool we would not be able to serve management’s HR and payroll reporting needs. If we ever had to manually gather data for these reports, it would a take whole other department to do it.”

Assistant vice president – HRIS, healthcare

Business Intelligence And Reporting Savings

Ref.	Metric	Calc./Source	Year 1	Year 2	Year 3
E1	Labor savings	FTEs	4	4	4
E2	Average fully loaded cost of internal labor	Industry average	\$95,000	\$95,000	\$95,000
Et	Business intelligence and reporting savings	E1*E2	\$380,000	\$380,000	\$380,000
	Risk adjustment	↓10%			
Etr	Business intelligence and reporting savings (risk-adjusted)		\$342,000	\$342,000	\$342,000
Three-year total: \$1,026,000			Three-year present value: \$850,503		

UNQUANTIFIED BENEFITS

Additional benefits that customers experienced but were not able to quantify include:

- UKG's BI reporting and analytics helped one interviewed customer determine future investments. For example, it determined that employees that are recruited directly (not via third-party recruiters) have longer tenure and better performance. As a result, the customer shifted some of its focus away from third-party recruiters and toward direct recruitment.
- Some of the interviewed customers felt UKG's talent acquisition capabilities helped produce higher qualified candidates than previous hiring processes.
- UKG Pro and UKG Dimensions provides support and resources needed to maintain compliance. UKG enables organizations to comply with HR, payroll, and employment regulatory requirements and easily record key information for government compliance, reporting, and analysis in the United States and Canada.

FLEXIBILITY

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are scenarios in which a customer might choose to implement UKG's core capabilities and later realize additional uses and business opportunities with other UKG products. No single interviewed customer was using all of UKG's capabilities. Since there is value in all UKG products and capabilities, current and future customers should consider the benefits of including the features and functionality of UKG's additional capabilities.

Flexibility might also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

Analysis Of Costs

■ Quantified cost data as applied to the composite *Organization*

Total Costs Associated With UKG Pro And UKG Dimensions						
Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs associated with UKG Pro and UKG Dimensions	\$1,384,800	\$1,812,500	\$1,891,250	\$1,973,938	\$7,062,488	\$6,078,592
Risk adjustment (increased by 10%)						
Total costs associated with UKG Pro and UKG Dimensions (risk-adjusted)	\$1,523,280	\$1,993,750	\$2,080,375	\$2,171,331	\$7,768,736	\$6,686,451

TOTAL COSTS ASSOCIATED WITH UKG PRO AND UKG DIMENSIONS

Evidence and data. The implementation of UKG Pro and UKG Dimensions was a simultaneous effort over a period of four months. There were 15 individuals involved, including the CIO, VP of HR, senior director of HRIS, director of payroll, and various other IT, HR, and payroll staff.

“All UKG Pro and Dimensions training is free, anyone can take training at any time from the UKG customer success portal.”

Senior HRIS director, retirement communities

During the post-implementation period as well as on an ongoing basis, the *Organization* has: 0.75 FTE administrators managing UKG Pro; 0.75 FTE administrators managing UKG Dimensions; and 1.0 FTE IT staff managing both products. These individuals are also responsible for managing the relationship between the *Organization* and UKG.

Modeling and assumptions. Forrester’s estimates for the composite *Organization* include:

- On average, 15 individuals spent 50% of their time over four months on the implementation of UKG Pro and UKG Dimensions for a total of 4,800 hours (15 FTEs*20 hours/week*16 weeks=4,800 hours).
- On average, the hourly rate for these 15 individuals is \$38.50 (not fully loaded) for a total labor cost of \$184,800 for the Initial implementation period.
- On an ongoing basis, there are 2.5 FTEs managing UKG Pro and UKG Dimensions including IT support. The average fully loaded costs of these individuals is \$95,000 annually.
- All UKG training is free, so there was no charge for training.
- For purposes of UKG subscription fees, the number of employees grows by 5% annually; in Year 1, there are 12,500 employees; in Year 2, there are 13,125 employees; and in Year 3, there are 13,781 employees.
- Estimated UKG license and launch fees are included in the table above. Readers of this case study should contact UKG directly for fees related to their environments.

Risks. The UKG license and launch fees and the implementation and ongoing labor costs will vary with:

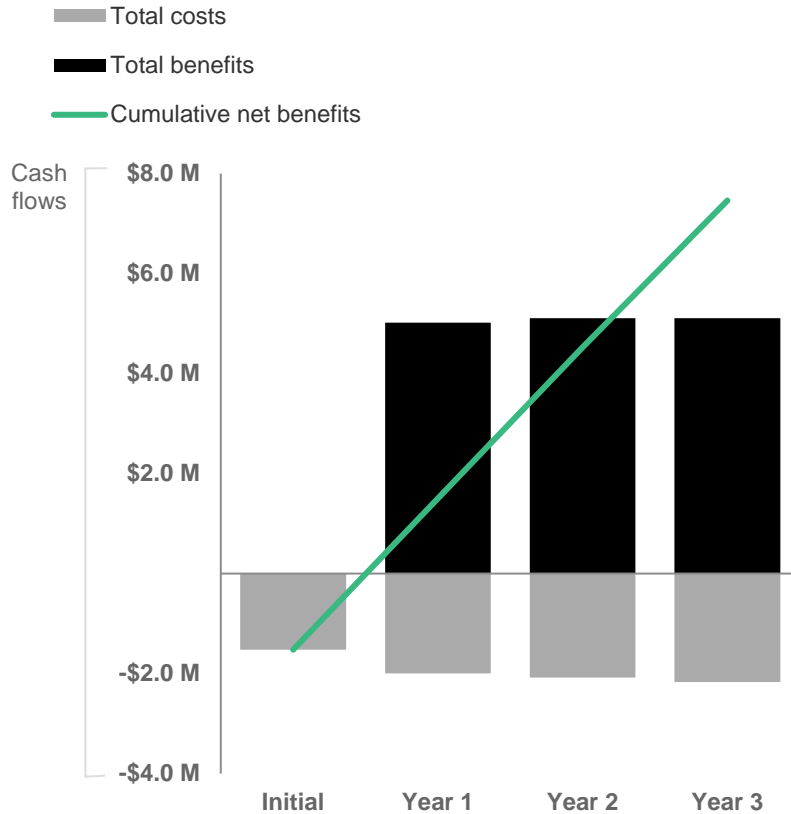
- The competencies of existing HR, payroll, and IT staff.
- The variable compensation of HR, payroll, and IT staff.

- Any negotiated discounts related to UKG license and launch fees.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$6,686,451.

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$1,523,280)	(\$1,993,750)	(\$2,080,375)	(\$2,171,331)	(\$7,768,736)	(\$6,686,451)
Total benefits	\$0	\$5,019,750	\$5,105,250	\$5,105,250	\$15,230,250	\$12,618,274
Net benefits	(\$1,523,280)	\$3,026,000	\$3,024,875	\$2,933,919	\$7,461,514	\$5,931,822
ROI						89%
Payback						<6 months

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TOTAL ECONOMIC IMPACT APPROACH

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

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